Defense Acquisition University

Planning, Programming, Budgeting and Execution (PPBE)

Business, Cost Estimating, & Financial Management

Capital and Northeast Campus

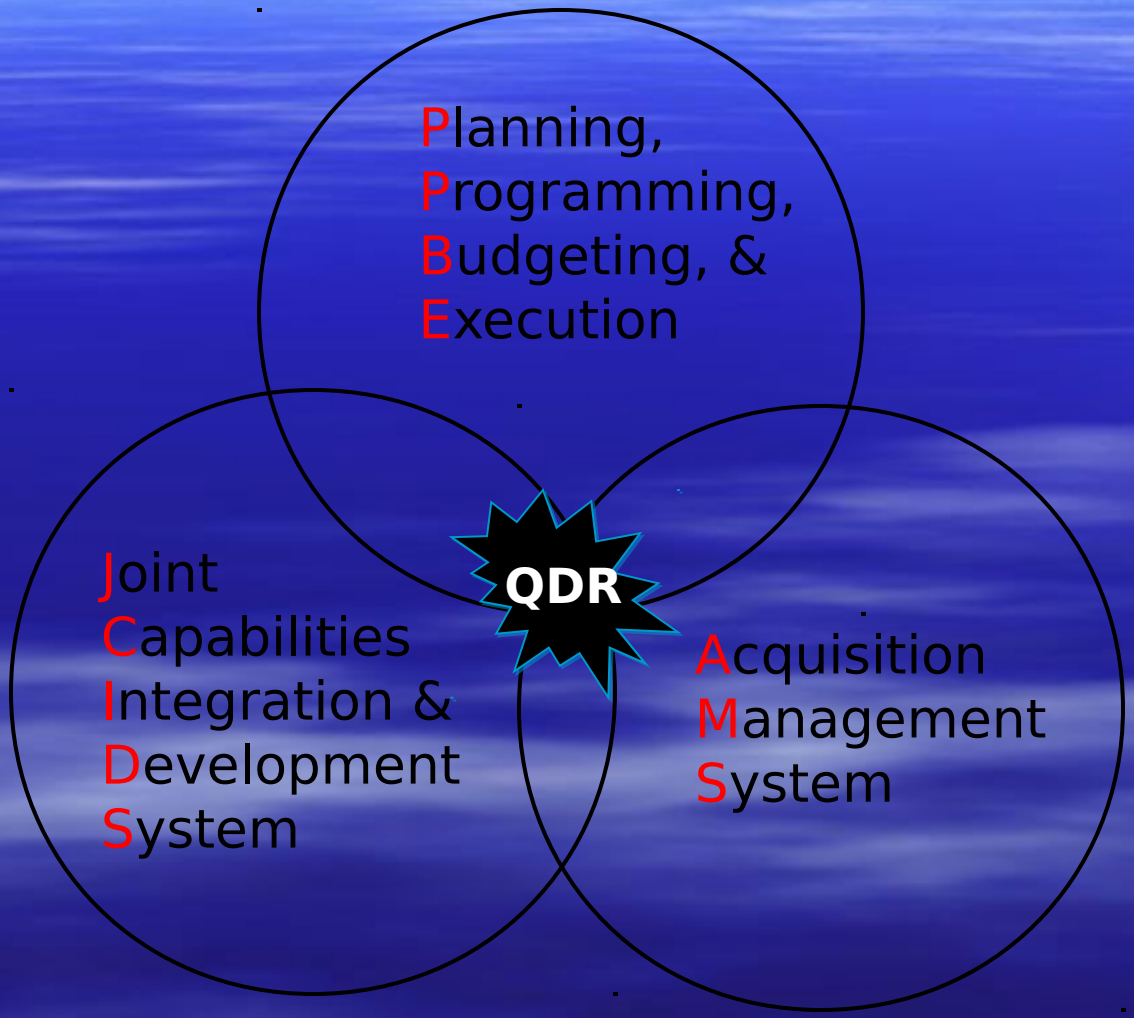
Defense Acquisition University

RDT Version 3 – 16 Sep 05

PPBE Outline

- PPBE Overview
- Building Blocks
  - FYDP, MFP, Program Elements
- Old Process
- New Process
- Timing

Decision Support Systems



Resource Management System

- **PPBE is the primary resource management system for DoD:**
  - Articulates strategy
  - Identifies size, structure and equipment for military forces
  - Sets programming priorities
  - Allocates resources
  - Evaluates actual output against planned performance and adjusts resources as appropriate

PPBE Phases

- **Planning**
  - Assess capabilities / review threat
  - Develop guidance
- **Programming**
  - Turn guidance into achievable, affordable packages
  - Six-year program (Future Years Defense Program)
- **Budgeting**
  - Scrub budget years
  - Test for most efficient funds execution
  - Prepare defensible budget
- **Execution Review** (concurrent with program/budget review)
  - Develop performance metrics
  - Assess actual output against planned performance
  - Adjust resources to achieve desired performance goals

Future Years Defense Program (FYDP)

- Computer database maintained by D,PA&E
- Approved force structure and resources in SECDEF Defense Program
- Contains PY, CY, BY1, BY2 + 4 Out-Years +

06 07 08 09 10 11

3 additional years for force structure only

- Updated two times per PPBE Cycle:
  - Program Objectives Memorandum/Budget Estimate Submission (POM/BES) – August/September
  - President's Budget (PB) - January / February

Future Years Defense Program (FYDP)

Program Elements

PROGRAM ELEMENT (PE): Smallest aggregation of resources normally controlled by OSD

- **PE NUMBER:** Used to track and identify resources; seven digit number followed by an alphabetic suffix

- **PROGRAM 1 (STRATEGIC FORCES)**
  - 0101126F - B-1B Squadrons
  - 0101215F - Peacekeeper Squadrons
  - 0101228N - Trident
  - 0101316A - Worldwide Joint Strategic Comm
  - 0102424F - SPACETRACK
- **PROGRAM 2 (GENERAL PURPOSE FORCES)**
  - 0202112A - Airborne Divisions
  - 0204224N - Frigates - Missile
  - 0207138F - F/A-22 Squadrons
  - 0207423F - Advanced Communications Systems

A - ARMY
N - NAVY
M - MARINE
F - AF
D - OSD
C - MDA
E - DARPA
H - DSWA
J - JCS
S - DLA
BB - SOCOM
DBD - DFAS

Ref: DoD 7045.7 - H

Old Process: Annual, Consecutive-Phase PPBS

FY 02-07 POM and prior:

- Defense Planning Guidance (DPG) (Apr)
- Programming (POM Development) (May – Sep)
- Budgeting (BES Development / Review) (Sep – Dec)
- Submission of President's Budget (Feb)
- Congressional Review of Budget Request (Feb – Aug)
- Congressional Authorization and Appropriation
- Execution of Budget Authority
  - Commit, obligate, expend, and outlay funds

Management Initiative Decision (MID) 913

Major Initiatives:

- Quadrennial Defense Review (QDR) shifted from the first to the second year of a new administration
- Move to a true two-year cycle
- Off-year Strategic Planning Guidance (SPG)/Joint Programming Guidance (JPG) is optional (at the discretion of SECDEF); will not introduce major changes in off-year
- Off-year review focus on execution and performance
- Create a single standardized programming and budgeting system for data collection and management

MID 913

Changes to Program/Budget/Execution Review:

- Transition to a true biennial process
- Incorporate metrics and cost models
  - Focus on outputs: what are we getting for our money?
- Over time, metrics will become the analytical underpinning to ascertain whether the appropriate allocation of resources exists

DEPSECDEF Direction for FY 2005 - 2009 Submission

- No DPG-05
  - Components comply with DPG-04 and PDM direction
- No FY05-09 Program Objective Memorandum (POM) or Budget Estimate Submission (BES) submittal to OSD
- Components instead submit Program Change Proposals (PCPs) or Budget Change Proposals (BCPs)
  - Both BCPs and PCPs will be cost neutral (offsets required)
  - PCPs resolved thru Program Decision Memorandums (PDMs)
  - BCPs resolved thru Program Budget Decisions (PBDs)

Four Years in the Biennial Cycle

Corresponding to Four-Year Presidential Terms

Year 1 (Review and Refinement):

- Early National Security Strategy (NSS)
- Off-year SPG/JPG as required (at discretion of SECDEF)
- Limited Changes to Baseline Program

Year 2 (Formalize the Agenda):

- Quadrennial Defense Review (QDR) – Aligned with PB submission in second year of an administration
- Fiscal Guidance Issued
- On-year SPG/JPG (implementing QDR)
- POM/BES Submissions

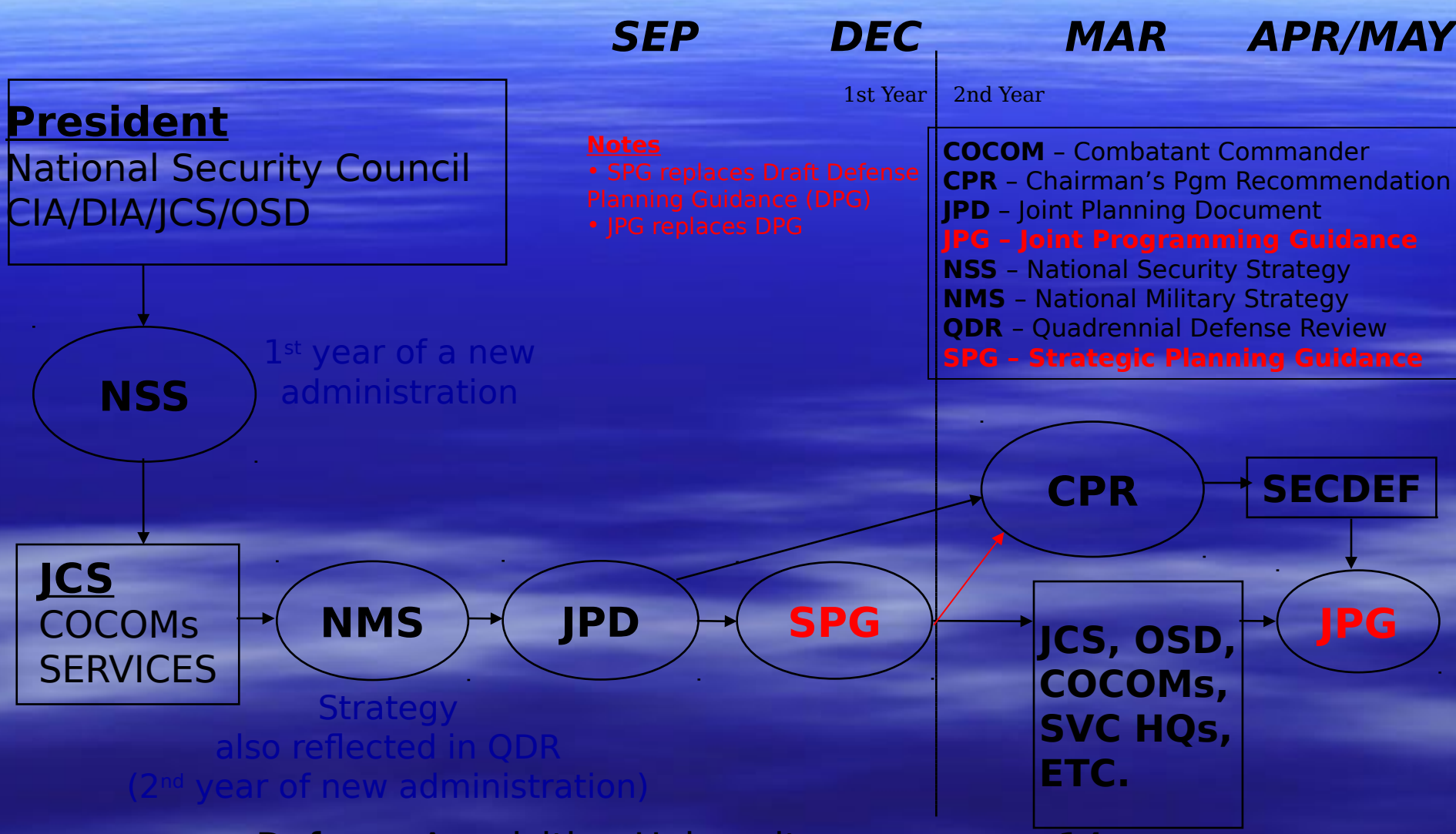
Year 3 (Execution of Guidance):

- Off-year SPG/JPG as required (at discretion of SECDEF)
- Limited Changes to Baseline Program

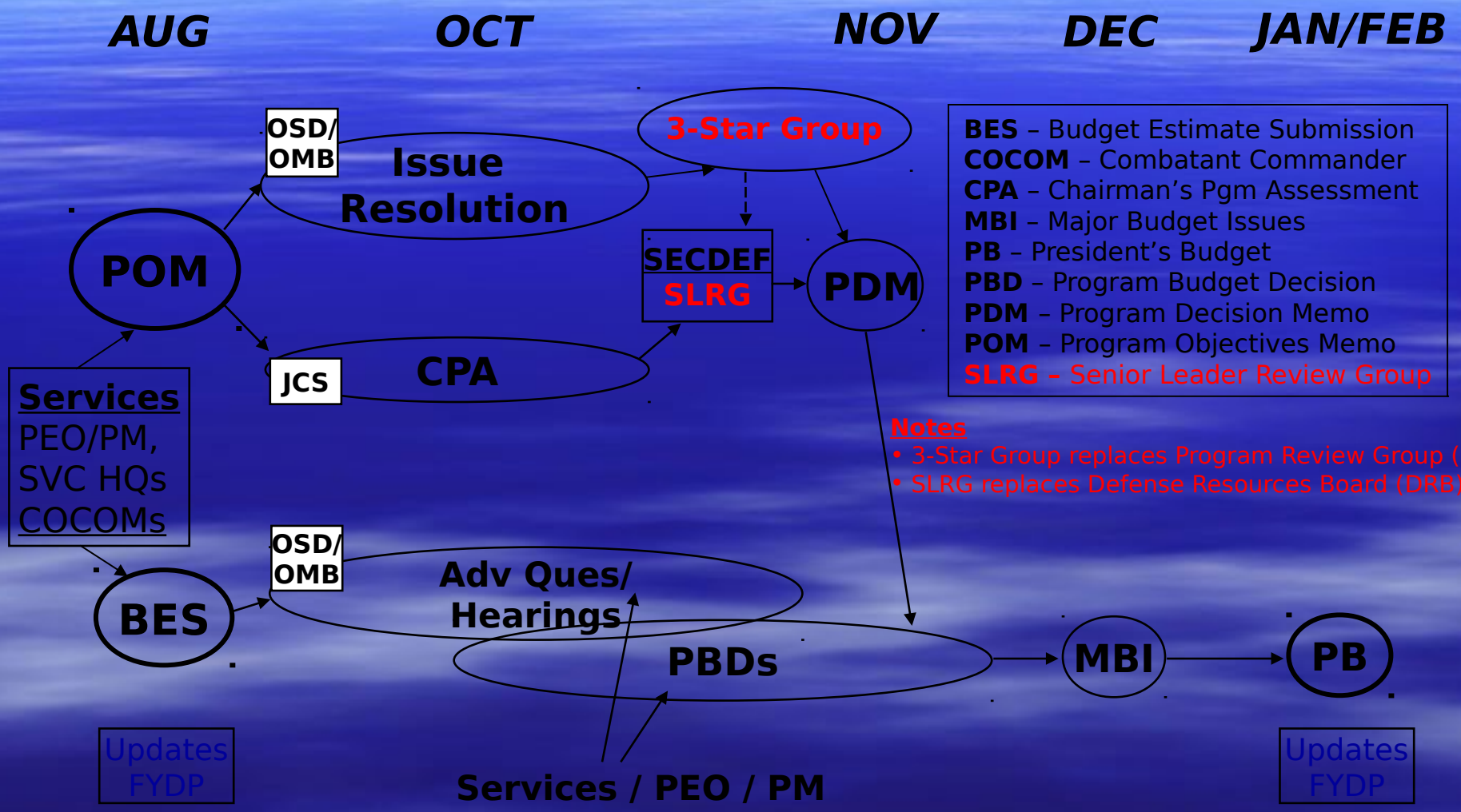
Year 4 (Ensuring the Legacy):

- Fiscal Guidance Issued
- On-year SPG/JPG (refining alignment of strategy and programs)
- POM/BES Submissions

Planning Phase



Concurrent Program/Budget Review



BES – Budget Estimate Submission
COCOM – Combatant Commander
CPA – Chairman's Pgm Assessment
MBI – Major Budget Issues
PB – President's Budget
PBD – Program Budget Decision
PDM – Program Decision Memo
POM – Program Objectives Memo
SLRG – Senior Leader Review Group

Notes
- 3-Star Group replaces Program Review Group (PR
- SLRG replaces Defense Resources Board (DRB)

FY 07–11 Program/Budget Process Overview

- Procedural changes for FY 07-11 may not be institutionalized
- USD(C) & Dir, PA&E co-leads for process
- OSD emphasis is keeping biennial budget process & minimizing off-year changes; FY 06 Pres Bud is baseline
- Fact-of-Life (FOL) changes for FY07 allow Services/Agencies to “fix” FY 07 due to PBD 753 & other defined issues; programmatic decisions will NOT be revisited
- Out-years impacted by PBD 753 should be deferred, to the extent possible, to the FY 08–13 cycle
- Services/Agencies will prepare Change Proposals (CPs) to implement very limited, defined adjustments
- OSD will prepare CPs required to implement BRAC/QDR decisions
- Senior Leader Review Group (SLRG) will meet periodically to review/decide issues
- Services/Agencies not to propose offsets to National Intelligence Program (NIP) for non-NIPs

FY 07–11 Program/Budget Schedule

- May 31 Military Departments' composite rates due
- **Aug 1** FOL budget estimate notification memos due
- **Aug 15** OSD disposition of FOL changes
- **Sep 6** Service/Agency CPs due; accepted FOL justification material & other OSD-directed documentation due electronically
- Sep 23 Hardcopy data submission complete
- Sep 28 Detailed budget justification material due
- **Sep 30** OSD completes review of Service/Agency CPs (accept/reject)
- Oct-Nov BRAC/QDR review & related OSD-generated CPs
- **Dec 20** Program & Budget review complete
- Jan DoD budget submitted to OMB

FY 07–11 Program/Budget Procedures – FOLs

- Services/Agencies submit 1 Aug to USD(C) & Dir, PA&E, FOL proposals for “quick look” acceptance or rejection
- FOLs to be submitted for pricing, program execution, or Congressional action changes; Congressional action ONLY if APPN Act signed by 1 Aug
- Anticipated BRAC/QDR outcomes are NOT to be included
- Any submissions MUST be resource-neutral

FY 07–11 Program/Budget Procedures – FOLs APPN Guidance

- Appropriation:
  - **PROC & RDT&E:**
    - Any changes > than +/- 10% in any APPN in any year within ACAT III or IV programs
    - Any realignment within S&T
  - **MILCON/FHA:**
    - Any changes > than +/- 10% in any APPN year
    - Any change to recapitalization metrics in any year
  - **MILPER:**
    - MOAs documenting any change in Service support manpower provided to combatant commands, Defense agencies, or other Defense-wide components
      - Exception: Defense Health Program (DHP) & Special Operations Command (SOCOM) adjustments MUST be submitted as CPs
    - Any Congressionally-mandated benefit adjustments

FY 07–11 Program/Budget Procedures - FOLs APPN Guidance Cont'

- **O&M:**
  - Any change to facilities sustainment & recapitalization metrics in any year
  - Any change to O&M metrics other than OPTEMPO metrics

- **Revolving Funds:**
  - Any changes based on FY 05 execution that result in changes to FY 06 and FY 07 estimates
  - Any changes to capital purchase programs that don't change total-dollar amount for capital purchases reflected in FY 06 Pres Bud

- All other FOLs changes to be generally explained in 1 Aug notification memo to OSD

- If a submitted FOL is not accepted by OSD as an FOL, it may be resubmitted as a CP

FY 07–11 Program/Budget Procedures - FOL & Service/Agency CPs

- **NLT 6 Sep, Services/Agencies submit: CPs; accepted FOLs; & other OSD-directed changes**
- **Electronic submission of documentation includes:**
  - Accepted FOL changes in justification material
  - Any other OSD-directed documentation such as major programs, etc.
  - Tailored, limited budget exhibits
- **Submissions MUST be resource-neutral**
- **OSD will complete review for acceptance/rejection of CPs by 30 Sep**
- **Decisions on accepted CPs to be addressed in PDMs & PBDs**

FY 07–11 Program/Budget Procedures – Service/Agency CPs Cont'

- **A CP must provide for:**
  - A single, coherent enhancement to Defense capability
  - Offsets other than Tactical Intelligence & Related Activities (TIARA) & Joint Military Intelligence Program (JMIP); offsets must be consistent with OSD planning guidance & FY 06–11 PDMs/PBDs
  - Programmatic/resource adjustments resulting from studies directed by FY 06–11 JPG or PDMs/PBDs but not included in FY 06 Pres Bud
  - Deviations, other than pricing, from previous guidance, including PBD 753
  - Out-year tails for enacted legislation

- **Proposed offsets may be used for the proposal or applied by OSD to other initiatives**

FY 07–11 Program/Budget Procedures – Service/Agency CPs Cont'

- CPs must:
  - Explain why the issue is not appropriate for the QDR process – OSD will submit CPs to implement BRAC & QDR decisions
  - Explain why the issue cannot be deferred to the FY 08–13 Program/Budget review
  - Identify the risks (operational, future, institutional, force management, business) that would be increased if the proposed offsets are accepted

- Reminder - proposed offsets may be used for the proposal or applied by OSD to other initiatives

FY 07-11 Program/Budget – Who Can Submit CPs

- Secretaries of Military Departments
- Chairman, Joint Chiefs of Staff
- Under Secretaries of Defense
- Assistant Secretary of Defense for Network Information & Integration
- Director, Operational Test & Evaluation
- Commander, SOCOM
- Defense Agencies, thru Principal Staff Assistant
- Combatant Commanders, thru Executive Agents; info to Joint Staff

FY 07–11 Program/Budget Procedures – Service/Agency CPs APPN Guidance

- Appropriation:
  - **PROC & RDT&E:**
    - ACAT I – any change to quantity profile or any change ≥ +/- 10% in any APPN in any year within a program
    - ACAT II – any start or termination
    - S&T – any reduction below the Service/Agency FY 06 Pres Bud in any year
  - **MILCON/FHA:**
    - FY 07 ONLY – any change to FY 07 project list submitted to Congress or any change in project scope
    - Any MILCON/FHA CP must include a statement describing the effect of the CP on the recapitalization metric

FY 07–11 Program/Budget Procedures – Service/Agency CPs APPN Guidance Cont'

- **MILPER:**
  - Change to projected end strength or average strength in any year
  - New personnel benefits not mandated by Congress
  - PCS funding change of +/- 5% or more
  - DHP & SOCOM manpower adjustments must be codified in MOAs & submitted as CPs

- **O&M:**
  - Changes to OPTEMPO program metrics, e.g., steaming hours, flying hours, tank miles, Marine Corps ready-days

- **Revolving Funds:**
  - Changes to Service/Agency obligation authority that impacts customer rates
  - Changes that result in increase/decrease to customer BA reflected in FY 06 Pres Bud
  - Changes to capital purchase programs that increase/decrease total dollar amount for capital purchases reflected in FY 06 Pres Bud

FY 07–11 Program/Budget Process – OSD Level Actions

- 3-Star Group/SLRG will review BRAC/QDR & any other OSD CP issues 2-3 times/month
- OSD decisions will be issued thru PDM(s)/PBDs
- OSD/OMB hearings will be “by exception”
- OMB will provide economic assumptions, deficit projections, & top-line guidance
- Defense “Budget Lock” projected for 20 Dec

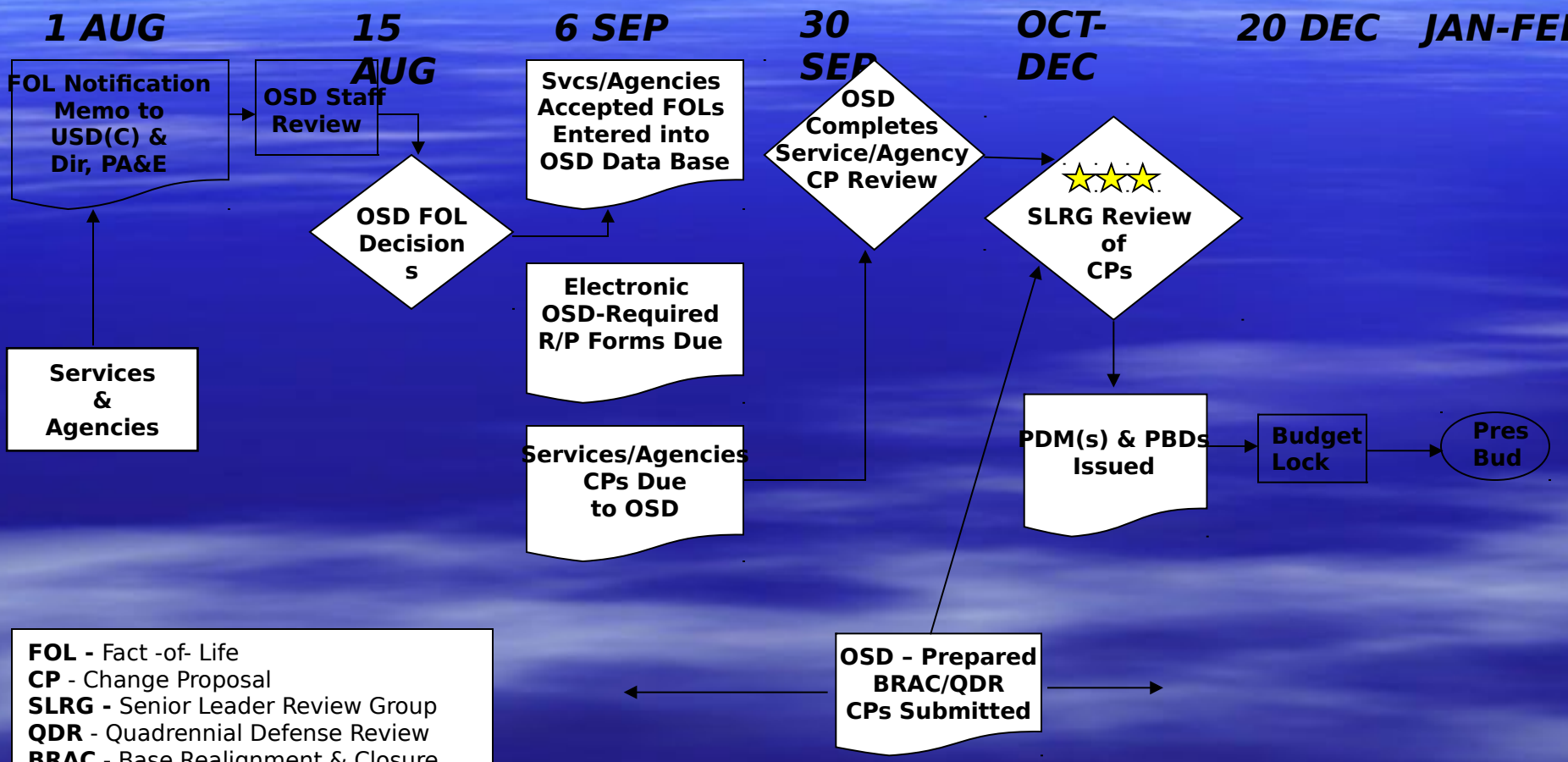
FY 07-11 Program/Budget Process – 3-Star Group

- Director, PA&E
- Principal Deputy, PA&E
- Army DCS G-8
- Deputy CNO (Resources, Warfare Requirements, & Assessments)
- Air Force DCS (Plans & Programs)
- Marine Corps Deputy Commandant, Program & Resources
- Joint Staff Director for Force Structure, Resources, & Assessments (J-8)
- Principal Deputy USD(C)
- Principal Deputy USD(AT&L)
- Principal Deputy USD(Policy)
- Principal Deputy USD(Intelligence)
- ASD for Networks & Information Integration
- Director, OT&E
- Invitees: Director, DR&E; Directors of Defense Agencies; etc.

FY 07-11 Program/Budget Process – Senior Leader Review Group (SLRG)

- Secretary of Defense
- Deputy Secretary of Defense
- Secretaries of the Military Departments
- Chairman/Vice Chairman, Joint Chiefs of Staff
- Under Secretaries of Defense
- Assistant Secretary of Defense (Network Information & Integration)
- Chiefs of Staff, Army & Air Force; Chief of Naval Operations; Commandant of the Marine Corps
- Invitees: as required by the Secretary/Deputy Secretary of Defense

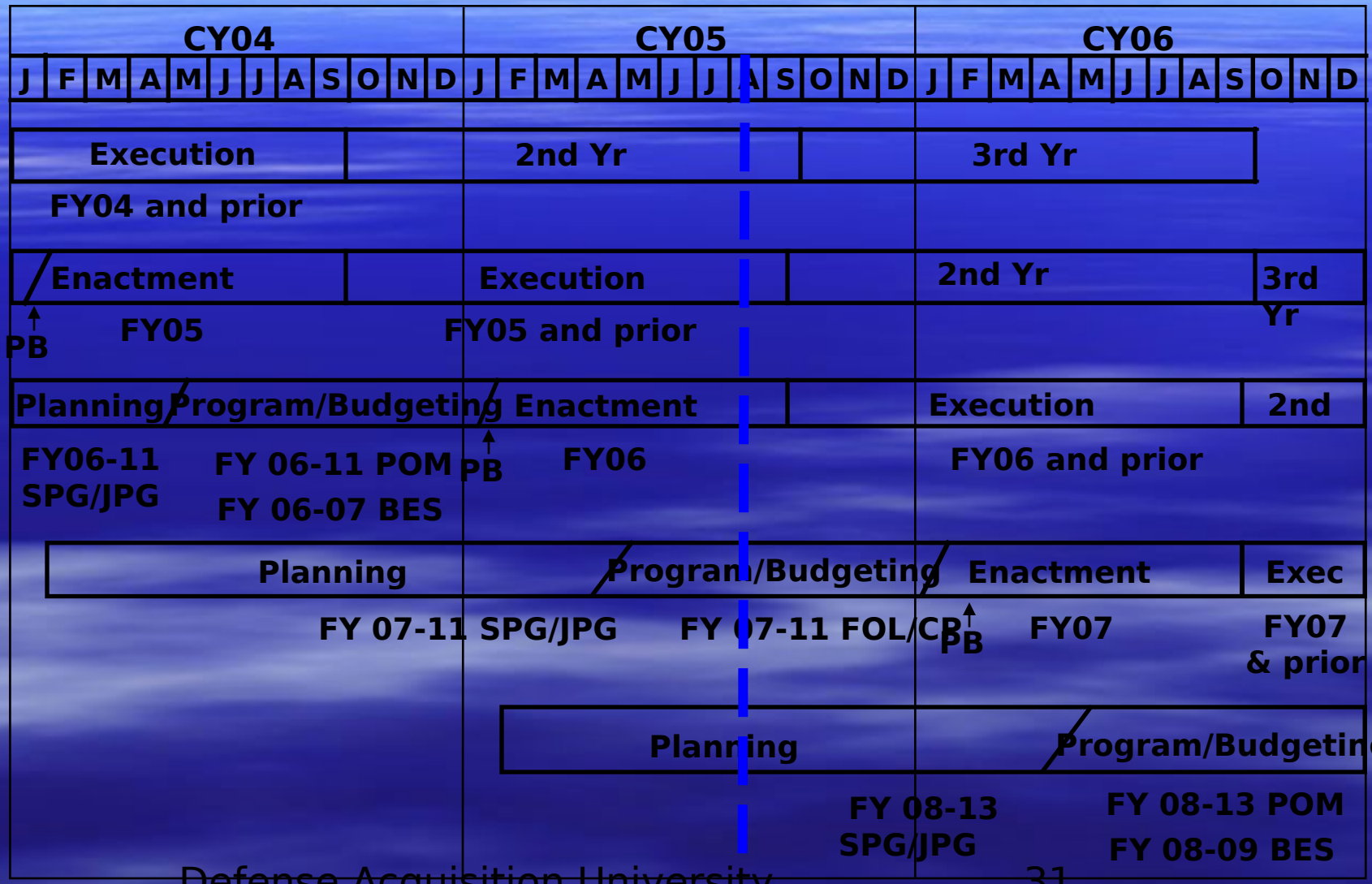
Off-Year Process During 2005 (FY 07-11)



FOL - Fact -of- Life
CP - Change Proposal
SLRG - Senior Leader Review Group
QDR - Quadrennial Defense Review
BRAC - Base Realignment & Closure
PDM - Program Decision Memorandum
PBD - Program Budget Decision
R-Forms - Research & Development Forms
P-Forms - Procurement Forms

Resource Allocation Process

Time Now: August 2005



SPG – Strategic Planning Guidance Memorandum
FOL – Fact of Life
JPG – Joint Programming Guidance
BES – Budget Estimate Submission
POM – Program Objective
CP – Change Proposal

Key PPBE Action Officers

- AIR FORCE: Program Element Monitor (PEM)
  - Interfaces with Using Commands, Developing Commands, Air Staff, Air Secretariat, OSD, and sometimes Congress
- NAVY: Requirements Officer (RO)
  - Works Navy position on Resource Allocation by “Warfighting Specialty”
  - Interfaces with Using Commands, Developing Commands, CNO Staff, Navy Secretariat, and OSD
- ARMY: Department of Army Systems Coordinator (DASC)
  - Interfaces with Using Commands, Developing Commands, Army Staff, Army Secretariat, and OSD
  - Interface between Program Manager (PM) and Congress (through proper Legislative Liaison Offices)

Additional Information

- OSD PA&E website
  - http://pae.osd.mil
- OSD Comptroller website
  - http://www.dtic.mil/comptroller
- DAU BCEFM Acquisition Community Connection (ACC) website
  - http://acc.dau.mil/bcefm

Old Slides

- FY 2004-2009 Defense Planning Guidance
- Program Change Proposals (PCPs)
- Budget Change Proposals (BCPs)
- Who Submits PCPs/BCPs
- Off-Year Program/Budget Review
- FY 2006-2011 Program/Budget Schedule

FY 2004-2009
Defense Planning Guidance

- “The Department’s current planning, programming, budgeting and acquisition systems are rigid, unresponsive and ill-suited for a dynamic and uncertain security environment. DoD needs to streamline and integrate PPBS and the major acquisition and requirements processes with particular attention paid to those areas where technological change occurs most rapidly.”
- Tasked the Senior Executive Council, under the leadership of the SECNAV, to provide a systematic approach for replacing these processes

Program Change Proposals (PCPs)

- Identify areas to take additional risk (offsets)
  - Offsets may be used for other initiatives
- Limited to items that exceed $250 million across FYDP
  - Threshold at individual programmatic issue level
  - May address smaller issues if serious programmatic problem
  - If less than $250 million, may submit as BCP if budget year is affected
- Must comply with PDM decisions
- Combatant Commanders may submit up to six prioritized PCPs regardless of dollar value
- Full budgetary data submitted for accepted PCPs

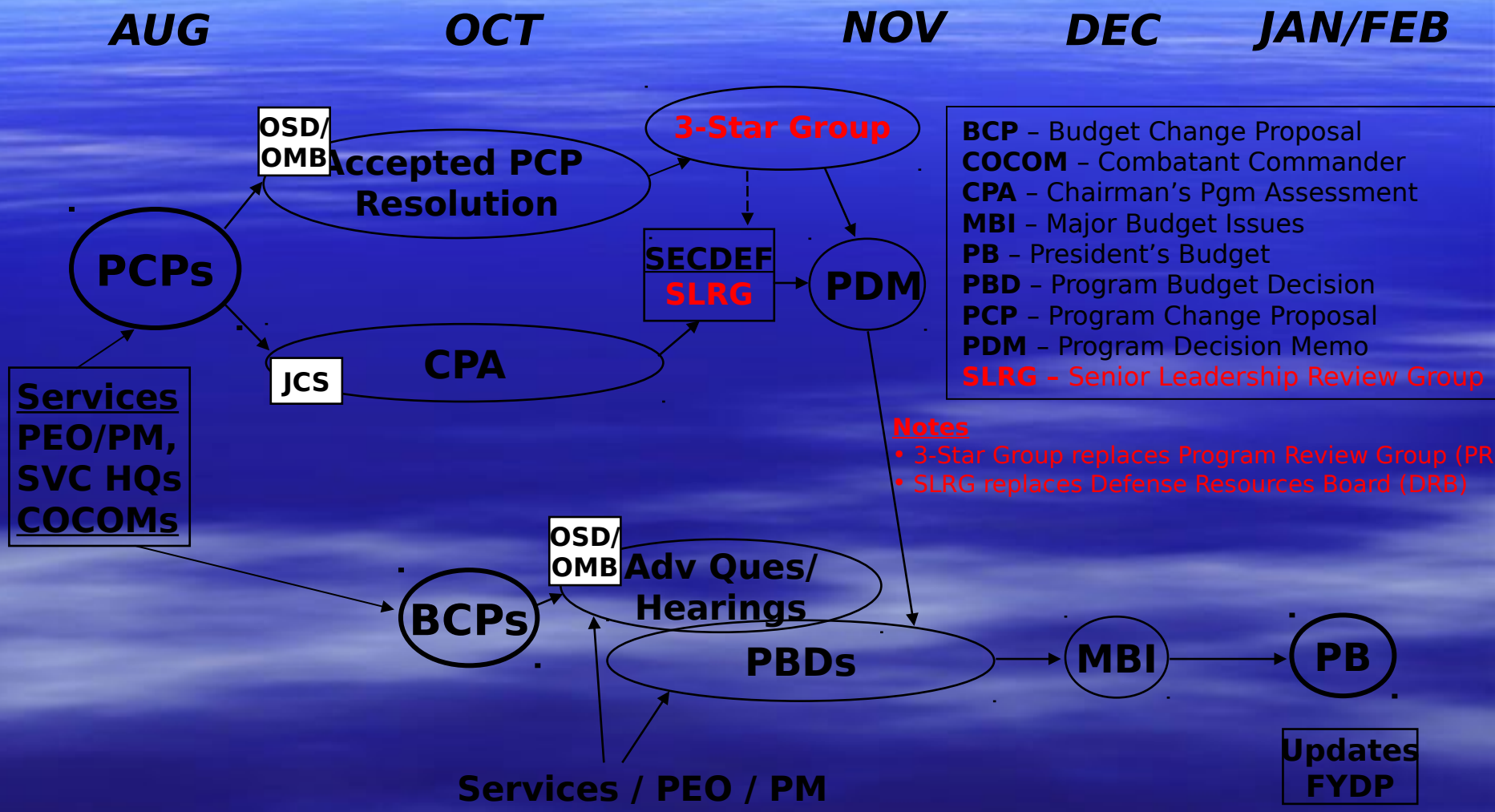
Budget Change Proposals (BCPs)

- Generally limited to fact-of-life changes:
  - Cost increases
  - Schedule delays
  - Management reform savings
  - Workload changes
  - Budget execution experience
  - Congressional action
- May involve FYDP years if total cost is less than $250 million and budget year is affected
- Offsets required
- Backed up with appropriate budget exhibits

Who Submits PCPs/BCPs

- Under Secretaries of Defense (USDs)
- ASD (Network and Information Integration)
- Director, Operational Test & Evaluation (DOT&E)
- Chairman, Joint Chiefs of Staff
- Secretaries of Military Departments
- Combatant Commanders (COCOMs)
  - Submit PCPs through J-8
  - Submit BCPs through Service Executive Agent
- Directors of Defense Agencies
  - Submit PCPs through OSD Principal Staff Assistant
  - Submit BCPs to OSD Comptroller

Off-Year Program/Budget Review



FY 2006-2011 Program/Budget Schedule

- Aug 2 — POM/BES Electronic Database Submissions
- Sep 1 — POM Briefings to SLRG
- Sep 15 — POM/BES FYDP Available
- Sep 15 — Detailed Budget Justification Material Due
- Sep 24 — Program Review Issues Due
- Oct 3 — Issue Disposition Memo
- Oct – Nov — OSD Meetings
- Oct – Nov — Program Review SLRGs
- Nov 22 — PDM
- Dec 6-10 — MBI Sessions
- Dec 20 — Program Budget Lock Up
- Feb 7 — FY 2006 Congressional Submission